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OFFICE OF THE PENNSYLVANIA RAILROAD COMPANY.

Philadelphia, March 3, 1896.

The Board of Directors submit herewith a synopsis of their Forty-ninth Annual Report, for the year 1895:-

The gross earnings of the three grand divisions east of Pittsburgh and Erie, embracing the Main Line, United Railroads of New Jersey, and Philadelphia and Erie Railroad and Branches were \$64,627,178.72

Expenses \$4,510,656.31

Net earnings \$20,116,522.41

To which add:

Interest from investments \$4,611,087.40

Rental of equipment, &c. 452,372.98

Gross income \$25,179,982.79

Deduct:

Rentals, leased and operated roads \$8,896,061.39

Interest on funded debt 4,163,775.40

Interest on mortgages and ground rents, car trusts, taxes &c 1,589,713.62

Net income \$10,530,432.38

From this amount the following deductions have been made:

Payments account Sinking and Trust Funds, and guaranty of interest on Allegheny Valley Railroad bonds \$508,711.87

Extraordinary renewals, &c. 1,327,250.58

Balance after above payments, \$8,634,469.03

Dividends of 5 per cent. 6,465,011.25

Amount transferred to credit of profit and loss for the year 1895 \$2,169,458.08

Previous amount to credit 23,155,632.24

\$25,325,000.02

Amount of interest on funded debt accrued to January 1, 1896, but not yet matured, less amount due from investments on same date \$820,537.11

Amount charged off in reduction of value of securities and settlement of sundry accounts, 945,083.95

Balance to credit of profit and loss December 31, 1895 \$23,553,409.86

The preceding statements show that after having provided for all the fixed liabilities of your Company, and expending over \$1,300,000 in improving its property, there remained the sum of \$8,634,469.03 out of which were declared dividends of five per cent, leaving \$2,169,458.08 to be carried to the credit of profit and loss account. In view of the fact that the low rates prevailing on both passenger and freight traffic for the past few years continued during 1895, it would appear that under any reasonable conditions your property will make fair returns to its shareholders.

It had not previously been the custom in stating your accounts at the end of the year to charge up the amount of accrued interest on bonds and other obligations of your company to the 1st of January following, or to take credit for the amount of income that matured upon securities held by your company on that date; but your Board has now deemed it proper that both these amounts should be taken into your accounts for the year. It will, therefore, be seen that there has been added to profit and loss the sum of \$820,537.11, being the difference between these two amounts. In addition to which a reduction has been made in the value of some of the securities held by your company, and in settlement of old accounts, making a total charge of profit and loss of \$1,771,521.06, and leaving \$23,553,409.86 to the credit of that account.

SINKING FUNDS.

Under the provisions of the consolidated mortgage of the company, \$324,780 were set apart on the 1st day of July last out of the net income as a sinking fund for the redemption of the outstanding bonds secured by that mortgage. None of the series of bonds to which the sinking fund was applicable could be purchased under the terms of the Trust, and the amount was placed to the credit of the trustees for investment under the terms of the mortgage. There are \$4,307,956.91 in securities and cash in the fund for the redemption of these bonds.

The trustees of the sinking fund for the redemption of the Trust certificates issued for the purchase of the shares of the capital stock of the Philadelphia, Wilmington and Baltimore Railroad Company were not able to purchase any of these certificates during the past year. The total amount so

purchased and cancelled to December 31, 1895, is, therefore, \$2,298,000, leaving outstanding \$7,702,000.

The trustees of the sinking fund for the redemption of the four and one-half per cent Collateral Trust Loan were not able to obtain any of these securities during the year at the limit fixed in the agreement. The amount of this loan outstanding December 31, 1895, is \$9,900,000.

Under the provisions of the four per cent Equipment Trust Gold Loan, there was paid to the trustee during 1895, for the sinking fund, the sum of \$136,400. The trustee was unable to obtain any of the bonds at the price fixed in the lease, and in accordance with the terms thereof the whole amount has been invested in additional equipment.

FUNDED DEBT.

The amount of funded debt, including mortgages on real estate and ground rents, at the close of the year was \$7,638,910.72, being an increase of \$4,902,574.73, accounted for as follows:

Consolidated mortgage 3¼ per cent sterling bonds issued, \$1,000,000, equivalent to \$4,850,000.00

Increase in mortgages and ground rents 52,574.73

Total \$4,902,574.73

CAPITAL STOCK.

The amount of capital stock outstanding at the close of the year was \$129,301,550, an increase of \$3,350, due to the conversion of that amount of the scrip dividend declared in May, 1895.

SECURITIES OF OTHER CORPORATIONS.

The entire cost of the securities of other corporations now held by your company is \$118,035,905.57. The direct revenue received therefrom was \$4,353,087.10, the decrease as compared with 1894 being due to the generally reduced income from investments. Notwithstanding this, these securities continued to produce nearly four per cent upon their cost, and more than provided for the interest on your funded debt.

CAR TRUSTS.

No further issue of these securities were made during the year, and no series thereof matured.

The total number of cars provided under the Car-Trust system is 57,967.

Total amount of securities issued and therefor \$30,644,000.00

Amount redeemed 25,112,000.00

Balance of certificates outstanding December 31, 1895 \$5,532,000.00

The amount expended upon the main line and branches, and charged to capital account during the year was \$907,858.95, the expenditure being entirely for additional freight cars and real estate, all other extraordinary outlay on that portion of your property having, as already stated, been charged against the general income of the year. The amount expended in construction on branch and auxiliary lines was \$1,830,741.23. The principal items of this expenditure were the extension of double tracks on the Pittsburgh, Virginia & Charleston Railway, made necessary by the development of the manufacturing industries on that line; the extension of the Fairhill Railroad, a short branch in the northern part of the city of Philadelphia, built for the purpose of furnishing increased facilities for local freight traffic; and the construction of what is generally known as the Delaware River Bridge, near Frankford, Philadelphia, the purpose of which was fully explained in the last annual report. This latter undertaking is now rapidly approaching completion, and will be open for business during the coming Summer. The work of elevating the tracks in the city of Elizabeth, N. J., with the exception of one bridge, is completed, and the policy of eliminating grade crossings by the construction of overhead or undergrade bridges is being continued wherever it can be done with a due regard for economy, and the local authorities properly co-operate toward reaching this result.

At the close of the year your Board deemed it advisable to place under contract several extensive improvements upon your Main Line, among which may be noted the straightening of the line at Kinzer's, on the Philadelphia Division, covering a distance of about five miles; the revision of the Harrisburg, Portsmouth, Mt. Joy and Lancaster Railroad, in the borough of Mt. Joy, whereby all the grade crossings at that point will be eliminated, together with an improvement of the alignment of the same road a few miles further west; and also several minor changes in the valley of the Juniata, on the Middle Division. The two most notable changes on the Pittsburgh Division are, first, on that portion of your road on the western slope of the Allegheny Mountains, which virtually amounts to a rebuilding of more than four miles of road at an estimated cost of \$700,000, whereby the present sharp curvature between Lilly's and Portage will be eliminated and a practically straight line substituted therefor; and, second, a revision of the line at a point near Greensburg, which involves the construction of a new tunnel nearly half a mile in length, and will result in the saving of a considerable distance as well as a material decrease in curvature. These improvements will require an outlay of nearly \$2,000,000 and will be actively prosecuted during the present year, should such a course be warranted by the general condition of the manufacturing and commercial interests. The returning prosperity of the industries of the country having made advisable and increase in your equipment, contracts have been entered into for the construction of about eight thousand cars for your system, some of which have been delivered, and the remainder will be put in service during the present year.

The number of tons of freight moved on the three grand divisions east of Pittsburgh and Erie in 1895 was 78,293,526, an increase of 13,581,832, or 21.00 per cent; the number of passengers was 37,422,437, a decrease of 1,143,723, or 2.96 per cent. The average distance travelled by each passenger in 1895 was nineteen miles, an increase of one mile. The other large Railroad Companies east of Pittsburgh and Erie in which your Company is interested show increased earnings due to the general business improvement throughout the year. Detailed statements of their operations will be found in their respective annual reports, as well as in the pamphlet report of your Company. The total amount of coal mined during the year by the four coal companies, in which you are interested, was 2,298,234 tons, a decrease of \$9,491 tons.

GENERAL REMARKS.

There has been paid the Managers of the Trust created October 9th, 1878, by the Company, to December 31st, 1895, the sum of \$4,405,190.91. The total income therefrom has been \$5,549,955.07, and on that date securities amounting at par to \$9,938,265 were held in the Trust, yielding an interest of 5.97 per cent for the year. There was appropriated to the Trust for the year 1895 the sum of \$87,216.87.

This Trust, in pursuance of the purpose for which it was created, has purchased from time to time a portion of the bonds of the American Steamship Company, which mature October 1st, 1896, and the maturing coupons on the entire issue at the regular interest periods. As there remains no property of that Company to provide for the payment of these obligations, they will necessarily have to be charged against the principal of the fund. This same policy is being pursued as to the interest on the bonds of the Pennsylvania Canal Company, which is also guaranteed by your Company. The payment of these large and practically unsecured obligations is the first direct benefit accruing from the creation of the Trust, as they would otherwise have to be met out of your current revenue.

The assets of the Insurance Fund on hand at the end of the year were \$7,779,701.15, being an increase of \$310,891.78 over the previous year.

Interest in the Employees Relief Fund continues to increase, the membership at the close of the year, 36,432, being the largest since its establishment. During the year the members contributed \$641,840.12, while your Company and its affiliated lines, in addition to the payment of \$98,053.53 for operating expenses, also contributed \$36,632.55 for extra benefits to members whose disability had continued for more than fifty-two weeks, and who were, therefore, no longer entitled to regular benefits from the Fund. The total receipts of the Fund, including interest and other small items, were \$790,174.62, which, with the balance on hand at the beginning of the year, \$230,600.23, made an aggregate of \$1,020,774.85, out of which \$254,298.64 were distributed as death benefits, being an average in each case of about \$575, and \$337,197.33, in cases of disability arising from sickness and accident. After meeting all its obligations for the year, and providing for unadjusted claims, a balance of \$247,408.02 remained to the credit of the Fund.

The number of employees who